



Alan C. Lloyd, Ph.D.
Agency Secretary

Air Resources Board

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Arnold Schwarzenegger
Governor

September 6, 2005

Mr. Jay McKeeman,
Government Relations Director
California Independent Oil
Marketers Association
3831 N. Freeway Boulevard, Suite 130
Sacramento, California 95834

Dear Mr. McKeeman:

As you may be aware, Executive Order VR-202-A, certifying the first Phase II Vapor Recovery System with In-Station Diagnostics (ISD) was signed on August 31, 2005. Although I received your letter expressing California Independent Oil Marketers Association's (CIOMA) concerns regarding ISD by email on August 30, 2005, we cannot change the implementation date or compliance schedule of a regulatory requirement such as ISD without a rulemaking process.

Our hope is that this letter is a first step in providing reassurance that ISD will assist station operators in reducing air emissions. Each of your concerns is addressed below by the title provided in your letter. However, as always, I and my staff would be happy to meet with you to discuss your concerns.

- ISD warning calibration – As defined in D-200, ISD provides real-time monitoring of critical emission-related vapor recovery system parameters and alerts the station operator to take corrective action when failure modes are detected. Although the system warning and failure lights are indeed calibrated to represent gross system failures in order to avoid false positives, Veeder-Root has clarified that daily system status reports are available in the form of printouts at no additional cost. It is our understanding that the level of station operator sophistication needed to determine operating status is not substantially different than what is presently mandated by existing State Water Resources Control Board requirements. As you suggest later in your letter, a service station operator may choose, based on their business needs, an optional service from Veeder-Root, which would automatically provide an out of compliance warning.

The energy challenge facing California is real. Every Californian needs to take immediate action to reduce energy consumption. For a list of simple ways you can reduce demand and cut your energy costs, see our Website: <http://www.arb.ca.gov>.

California Environmental Protection Agency

- Lack of detailed information from the system – Although data from individual fueling events is not provided by the ISD system, detailed information in the form of daily averages will be available from the “standard” system in the form of printouts to allow determination of compliance status. The “enhanced” service to be offered by Veeder-Root at optional cost is primarily a data review and operator warning contact service, similar to services they provide with respect to compliance assistance with State Water Resources Control Board regulations.
- Possible enforcement issues – As you are aware, districts have the primary authority in California to enforce air pollution control regulations for stationary sources. I understand that you and representatives from Western States Petroleum Association (WSPA) have been meeting with California Air Pollution Control Officers Association (CAPCOA) representatives regarding ISD enforcement issues. My understanding is that CAPCOA and Air Resources Board (ARB) are consistent in stating that enforcement action, at least during the first 18 months from the certification of an ISD system, will focus on station owner response to ISD system warnings rather than specific ISD system data. In other words, enforcement action will not be taken based solely on an ISD data output. However, a failure on the part of a station operator to respond to an ISD warning signal may result in enforcement action. In any case, resolution of CIOMA ISD enforcement issues should be done through CAPCOA.
- Technology uncertainty – ISD systems have been under test in California for nearly five years. In addition, the operational test required to receive a certification Executive Order is conducted for at least 180 days. The presently certified system was under test for more than a year. Questions you included in your letter have been addressed or can be addressed with the information available. Again, we are more than willing to meet and discuss specific issues. However, let me assure you that “beta-testing” has long ago been completed.
- Cost uncertainty – There is always cost uncertainty until a product is commercially available. The ARB staff has periodically reviewed potential ISD market price since adoption of the Enhanced Vapor Recovery (EVR) regulations in March 2000. A technology review which included cost analyses was presented to the Board in December 2002. We continue to meet with the ISD vendor regularly to ensure that costs will remain within anticipated targets. Although market cost factors, such as contractor availability, can make total cost predictions difficult, we believe the ISD systems will be priced at levels consistent with those we have presented to our Board. Our Board found such prices to be cost effective in terms of emission reductions when applied to specific minimum throughput service stations.

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- Scope of CARB 18 month evaluation – The protocol for the 18 month evaluation is being developed in cooperation with CAPCOA. A draft protocol will be issued for CIOMA and WSPA review within the next two months. We will consider modifying ISD requirements based on the results of the ISD evaluation. Note that new performance requirements will require new Executive Orders, which will require new operational tests prior to certification.
- Need incentive for small volume stations – The ISD requirements are based on cost-effectiveness analyses at various Gasoline Dispensing Facility (GDF) throughputs. As a result of our December 2002 technology review, the Board adopted a higher throughput ISD exemption (GDFs with 600,000 gallons per year or lower throughput). As ISD systems become widely used and accepted, it is possible that incentives such as reductions in required field testing may be considered by districts and the ARB.
- ISD operation on dispensers integrated with bulk tanks – I understand that Mr. Ward has had some discussion on this topic with Joe Guerrero of my staff. We will pursue defining and resolving issues which may exist with ISD and bulk plants.

ISD has been under development for over five years. We are excited about the prospect of enhanced gasoline vapor control which ISD will enable through real-time vapor recovery system monitoring. We believe ISD will be a valuable tool for service station operators in helping them maintain their equipment to do their part to improve air quality and protect public health.

I understand that commercial implementation of any new technology leads to concerns. I hope that we can establish and continue an on-going dialogue which will minimize misunderstandings and enable us to work cooperatively with issues as they arise. Please feel free to contact me by email at wloscutto@arb.ca.gov or phone at (916) 445-3742 whenever you have concerns. And, I look forward to meeting with you soon to discuss the issues raised in your August 29, 2005, letter.

Sincerely,



William V. Loscutto, Chief
Monitoring and Laboratory Division

cc: See next page.

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cc: Richard Smith
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